

[COMMITTEE PRINT]

EXPLANATION OF SENATE AMENDMENTS
TO
HOUSE JOINT RESOLUTION 372

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DESCRIPTION OF THE SENATE AMENDMENT

The Gramm-Rudman amendment would establish in law a new procedure for automatic deficit reduction by specifying a maximum deficit target for each of the next six years. The target declines by \$36 billion each year, reaching a deficit of zero in fiscal year 1991. The actual deficit targets are:

Fiscal year:	Billion
1986	\$180
1987	144
1988	108
1989	72
1990	36
1991	0

In the event that the normal budget process (as modified by this legislation) does not produce the specified deficit reduction levels, the Senate amendment gives the President new authority to automatically reduce Federal spending to achieve the maximum deficit target for that fiscal year.

Overview of the Automatic Deficit Reduction Process (Sequestration)

On September 25 (November 1 for FY 86), the Directors of the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) would issue a report indicating whether anticipated spending and revenues will result in a deficit above the established target for the coming fiscal year. The Directors also estimate the rate of real economic growth that is expected during each quarter of the fiscal year. Any differences in the reports for CBO and OMB would be averaged.

If the target is exceeded by more than 5 percent (7 percent in FY 86) for the fiscal year, the President would be given 14 days (30 days in the case of a recession) to issue an order automatically reducing Federal spending and inform Congress. The order could both *suspend* automatic spending increases and *sequester* controllable expenditures. Sequester means the permanent cancellation of budget authority and other budgetary resources. The President must sign the order (i.e., he cannot veto the order). The Presidential order would take effect 30 days after it is issued.

When the President notifies Congress that he has issued an order, he could also propose an alternative plan to achieve the same level of deficit reduction. Within 10 days after the President issues the order, the Budget Committees may report to their respective Houses a concurrent resolution affirming, in whole or part, the order. To the extent that part of the order is not affirmed, the resolution must contain reconciliation instructions which direct the appropriate Committees of each House to achieve at least the

same level of deficit reduction as would result from the Presidential order.

Those Committees which receive reconciliation instructions as a result of the concurrent resolution would be required to report to their respective Budget Committees within 10 days after the conference report on the resolution has been agreed to in both Houses. If a Committee *fails* to report any legislation, the Budget Committees would have authority to report legislative language which achieves the appropriate amount of deficit reduction.

It would not be in order to consider a reconciliation measure initiated in response to the Presidential order, or an amendment thereto, or a conference report thereon, that would cause the deficit to exceed the specified maximum deficit amount or the deficit in the most recently agreed to budget resolution, except when negative real economic growth is projected.

The consideration of the concurrent resolutions and reconciliation measures, initiated in response to the order, is governed by Sections 305 and 310 of the 1974 Budget Act, as amended by the Senate amendment, with certain exceptions. Debate in the Senate on a concurrent resolution would be limited to 10 hours.

The legislation proposing an alternative to the Presidential order would have to be signed by the President and could be vetoed. A two-thirds vote in each House would be required to override the veto.

In only one instance—the declaration of war—would these procedures be inoperable.

As noted, the Presidential order would not take effect until 30 days after it is issued. However, during this 30 day period, the President has to withhold from obligation funds that would have been suspended or sequestered under the order. This includes both funds under the automatic spending programs and those under controllable programs. If legislation is enacted to override the order within that 30 day period, the reductions proposed in the order would not occur. However, if legislation is not enacted until after the 30 days have lapsed, the budget authority withheld under the order would be permanently cancelled.

The Spending Reduction In the Presidential Order

The Senate amendment specifies how the spending reductions would occur. The order must eliminate the full amount of the estimated deficit which exceeds the target. One-half of the excess would be eliminated from "automatic spending increase programs" (category I programs) and one-half from "controllable expenditures" (category II programs). To the extent that one-half of the excess deficit cannot be achieved by reductions in category I programs, the difference must be made up in category II programs. The CBO/OMB reports are to specify the percentage by which automatic spending increases and controllable expenditures are to be reduced. There is no requirement that the President follow these percentage reductions in the CBO/OMB reports.

Automatic spending increase programs (Category I programs) would include all Federal programs indexed directly, whether appropriated or contained in current law. The term "automatic

spending increase" is defined to exclude any increase in social security (OASDI) benefit payments, as well as any expenditures which are the result of changes in program participation rates. Reductions in automatic spending increase programs would be limited to the amount that they would automatically increase in a given year (e.g. cost-of-living increases).

The COLAs of these automatic spending increase programs would be reduced by a uniform percentage but not below zero. For example, assume that an estimated 50 percent reduction in all COLAs or other indices would fulfill the amount of savings from category I. If the COLA in the SSI program were 3.5 percent, the annual update in the prevailing charge for physicians (this is limited by an economic index) is 6.0 percent, and the DRG payment rate increase is 4.5 percent, then the SSI COLA would become 1.75 percent, the economic index would be 3.0 percent, and the DRG rates would increase by 2.25 percent.

The language may also be interpreted to mean that the above indexes should be reduced by the amount necessary to reduce outlays by a uniform amount.

The order would suspend or modify federal law that would require an automatic spending increase to take effect during a fiscal year. The order would apply for one year beginning with the date the automatic increase takes effect. This implies that the effect of modifying COLA programs will last many years beyond the fiscal year in question.

The Senate amendment provides that any COLA for Social Security shall not count as income in determining payments for Supplemental Security Income and certain other programs when a sequester order is in effect.

Controllable expenditures (category II programs) are total budget outlays for any account, or any program, project or activity identified by annual appropriation acts and committee reports except: (1) those in category I; (2) outlays of benefits payable under social security (OASDI); (3) outlays which result from increases in program participation rates; (4) outlays for prior-year obligations; and (5) outlays for interest on the public debt. Funds for existing contracts are included unless the penalty provisions in the contract would produce a net loss to the government or reduction of the contract would violate the legal obligations of the government. The amendment specifically states that the Commodity Credit Corporation loans and guaranteed student loans shall be deemed to be controllable expenditures and subject to a presidential sequester order under the deficit reduction procedures for contracts entered into after a sequester order has been issued.

The definition of controllable expenditure stipulates that periodic payments to individuals or families which are in the nature of income support, supplementation, or assistance—including the earned income tax credit and veterans benefits—may not be reduced to a level that is lower than the level that would be otherwise payable. Also, veterans compensation increases shall be treated as automatic spending increases, if enacted. In addition, no person who is, or becomes eligible for benefits under any provision of law would be denied eligibility as a result of the Presidential order. It is unclear which programs or persons are protected by

this provision. For example, there are program indices that have only the effect of expanding eligibility as opposed to increasing benefits. Are these indices not subject to reduction?

Outlays for controllable expenditures must decline by a uniform percentage. Treatment of budget authority is unclear, but it may require reduction by unequal percentages to achieve the uniform outlay reductions. The reductions made to either the automatic spending increase programs or the controllable expenditures constitute permanent cancellations of budget authority. None of the reductions, however, are to have the effective of eliminating any program, project or activity. In addition, the amendment states that it is not intended to give the President new authority to alter the relative priorities in the Federal budget that are established by law.

Treatment of Social Security (OASDI)

The Senate amendment treats the cash-benefit OASDI social security programs in a number of different ways:

- (1) The operations of the OASDI trust funds are moved off-budget beginning with fiscal year 1986;
- (2) However, for all comparisons to determine if the maximum deficit amounts are exceeded, the outlays and receipts to the OASDI trust funds are included;
- (3) The language is ambiguous as to whether social security administrative funds (which are paid out of the trust funds) are exempted from sequestration;
- (4) The Senate amendment establishes a new point of order against any reconciliation bill or reconciliation resolution which contains provisions with respect to OASDI benefits or revenues. This point of order would not apply to the special reconciliation measure considered in response to the Presidential order; and
- (5) The Senate amendment prohibits any future law that would allow transfers between the trust funds and general revenues.

Revenue Provisions

The amendment has two provisions affecting revenues:

- (1) The amendment directs the Senate Finance Committee to report by July 1, 1986, legislation providing for an alternative minimum corporate tax first effective on October 1, 1986. The revenue raised by the tax would reduce the Federal deficit.
- (2) The Senate amendment instructs the Directors of OMB and CBO, and the Secretary of the Treasury, to issue an annual report jointly to the President and the House Ways and Means and Senate Finance Committees on improving tax enforcement, including an assessment of projected revenue gain, alternative methods to boost compliance, and the impact of IRS funding increases on enforcement.

Changes in the Congressional Budget Process

Single Budget Resolution and Reconciliation

The Senate amendment provides for the annual adoption of a single budget resolution by retaining the first budget resolution and eliminating the second. However, Congress could adopt a revised budget resolution at any time. Binding spending ceilings, revenue floor, and maximum deficit level, as well as any required reconciliation bill, would take effect upon the adoption in the spring of the single annual budget resolution.

In conjunction with the single annual budget resolution, reconciliation would be completed by June 15, of each year. Reconciliation could also occur in conjunction with a revised budget resolution which must be completed no later than 30 days after the budget resolution is adopted.

The Senate amendment also appears to require that budget resolutions include a procedure requiring deferred enrollment of spending bills or "any other procedure which is considered appropriate to carryout the purposes of this Act."

The legislation also establishes certain thresholds to determine whether a committee has complied with its reconciliation instructions, when such instructions include both spending and revenue changes. Any committee with revenue jurisdiction would have a limited ability to meet its outlay reconciliation instructions with revenues or vice versa.

Maximum Deficit Level

As noted above, the Senate amendment establishes maximum deficit amounts for each fiscal year between 1986 and 1991.

To enforce the automatic deficit reduction process, a series of points of order would be established. First, it would not be in order in either House to consider an initial or revised budget resolution for a fiscal year that recommends a deficit greater than the specified maximum deficit amount for such fiscal year covered under the concurrent resolution.

H.J. Res. 372 also would prohibit any amendment to a budget resolution or reconciliation measure increasing outlays or reducing revenues unless offsetting changes in spending or revenues, or both, are included to ensure that the deficit for *any fiscal year* set forth in the budget resolution is not increased. However, motions to strike are specifically made in order to a reconciliation measure.

Under the Senate amendment, any measure that would cause the maximum deficit amount or the *deficit levels* in the most recently agreed to budget resolution to be exceeded could not be considered.

None of these prohibitions apply when a declaration of war has been enacted.

Section 302(b) Points of Order

The Senate amendment requires committees to report their section 302(b) crosswalk allocations of spending within 10 days after a budget resolution is adopted and bars the consideration of a committee's spending or credit legislation until that committee files its allocation with its respective House.

Points of order are also established against legislation exceeding the level of the committee section 302(b) budget authority, outlay, or new entitlement authority allocations. These levels would become binding after the budget resolution is agreed to and the reports filed.

A bill exceeding a committee's section 302(b) entitlement allocation is referred to the Appropriations Committee under current procedures. The Senate amendment establishes a new point of order against consideration of such bills unless the Appropriations Committee reports the bill favorably and certifies that if the legislation is enacted actions will be taken to ensure that the maximum deficit level will not be exceeded.

Committees may revise their spending allocations at any time, as long as they are consistent with any legislative actions taken earlier, in their respective House.

The prohibitions above do not apply when a declaration of war has been enacted.

Three-Fifths Vote Required to Waive Certain Provisions

The Senate amendment requires a three-fifths vote of the entire membership in either the House or the Senate to waive certain provisions of the 1974 Budget Act that bar certain amendments to a budget resolution that increase the deficit figure (new section 305(b)(2)), and protect the jurisdiction of the Budget Committee (section 306). However, only section 306 is applicable in the House. The Senate amendment appears to allow the Senate to waive certain of its provisions by a majority vote, whereas the House is held to the super majority requirement.

It requires a three-fifths vote of the entire membership of either House in order to waive any provision of the Balanced Budget and Emergency Deficit Control Act of 1985.

The amendment also states that the applicable deficit reduction procedures are enacted as part of the rules of the House and Senate, with full recognition of the constitutional right of either House to change its rules at any time.

Changes in Rules Affecting Presidential Budget Submissions

The level of the deficit projected in the President's budget for a fiscal year may not exceed the maximum deficit amount established for that fiscal year under the Balanced Budget and Emergency Deficit Reduction Act. The President must use the best estimates of spending and revenues.

The President may recommend any level of spending and revenues that does not cause the maximum deficit amount to be exceeded.

The restriction does not apply when a declaration of war has been enacted.

The level of the deficit projected in the mid-session review or other updates of the President's budget for a fiscal year may not exceed the maximum deficit amount established for that fiscal year under the Balanced Budget and Emergency Deficit Reduction Act.

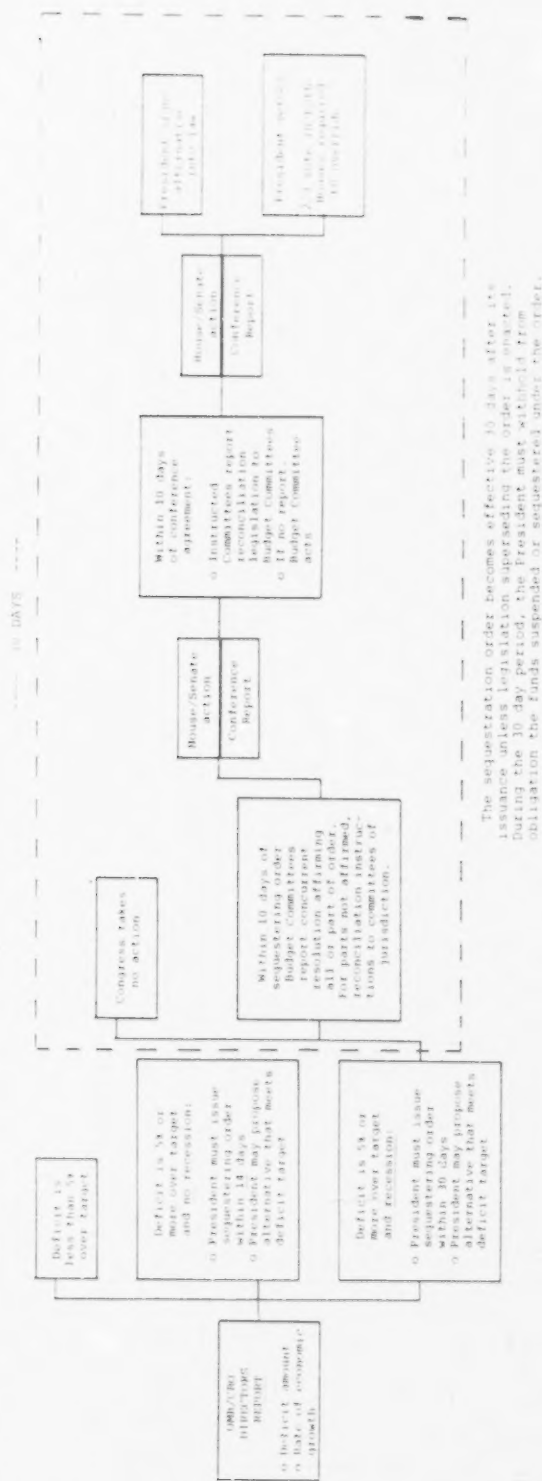
The President may recommend in the mid-session review or other updates any level of spending and revenues that does not

cause the maximum deficit amount to be exceeded. The language in section 3(c)(2) may also allow the President to trigger the sequestration process when he submits his January budget or the mid-session review or other updates of the budget.

The President is prohibited from recommending in his budget, or any revision, an increase in the public debt limit or in borrowing authority in excess of the maximum deficit level for such fiscal year.

OUTLINE OF AUTOMATIC DEFICIT REDUCTION PROCESS

DEFICIT TARGETS: FY 86: \$180 billion; FY 87: \$144 billion;
 FY 88: \$108 billion; FY 89: \$ 72 billion;
 FY 90: \$ 36 billion; FY 91: \$ 0.



MAJOR DOMESTIC PROGRAMS UNDER SENATE AMENDMENT

Program	Entitlement under the Budget Act	OMB definition as controllable/uncontrollable	Category under Senate amendment
RETIREMENT/DISABILITY			
Civil Service retirement	Yes	Uncontrollable	I
Coal miners' disability	Yes	Uncontrollable	I
Coast Guard retirement	Yes	Uncontrollable	I
Defense retired pay	Yes	Uncontrollable	I
Federal employee retirement	Yes	Uncontrollable	I
Foreign service retirement	Yes	Uncontrollable	I
Judicial survivors' annuities	Yes	Uncontrollable	I
Military retirement	Yes	Uncontrollable	I
PHS retirement	Yes	Uncontrollable	I
Railroad retirement	Yes	Uncontrollable	Tier I ¹
Social Security (OASDI)	Yes	Uncontrollable	Exempt
Special benefits (general retirement disability insurance)	Yes	Uncontrollable	I
Tax court judges survivors' annuities	Yes	Uncontrollable	I
Workers' compensation for Federal employees	Yes	Uncontrollable	I
Veterans' pensions	Yes	Uncontrollable	?
INCOME ASSISTANCE			
AFDC	Yes	Uncontrollable	?
Child support enforcement	Yes	Controllable	?
Earned income tax credit	Yes	Uncontrollable	?
Low-income home energy assistance	No	Controllable	II
Refugee & entrant assistance	No	Controllable	II
SSI	Yes	Uncontrollable	I
Unemployment compensation	Yes	Uncontrollable	?
Veterans' compensation	Yes	Uncontrollable	?
HEALTH			
ADAMH block grant	No	Controllable	II
Community health centers	No	Controllable	II
Home health services	No	Controllable	II
Medicaid	Yes	Uncontrollable	?
Medicare	Yes	Uncontrollable	?
Migrant health centers	No	Controllable	II
NUTRITION ASSISTANCE			
Child nutrition	Yes	Uncontrollable	?
Food stamps	No	Controllable	?
Nutrition aid-Puerto Rico	No	Controllable	II
Special milk program	Yes	Uncontrollable	?
WIC	No	Controllable	II
EDUCATION/TRAINING			
College work study	No	Controllable	?
Guaranteed student loans	Yes	Uncontrollable	II
Health professions scholarship	No	Controllable	?
Job training partnership act	No	Controllable	II
National direct student loans	No	Controllable	?
Pell grants	No	Controllable	?
Supplementary educational opportunity	No	Controllable	?
WIN	No	Controllable	II
OTHER			
Adoption assistance	Yes	Controllable	?
Black lung	Yes	Uncontrollable	I
Commodity credit corporation	Yes	Uncontrollable	II
Community services block grant (CSBG)	No	Controllable	II
Compensation of the President	Yes	Uncontrollable	?
Conrail labor protection	Yes	Uncontrollable	?
Defense claims	Yes	Uncontrollable	I
Federal Power Act payments	Yes	Uncontrollable	?
Fiscal assistance to territories	Yes	Uncontrollable	?

MAJOR DOMESTIC PROGRAMS UNDER SENATE AMENDMENT—Continued

Program	Entitlement under the Budget Act	OMB definition as controllable/uncontrollable	Category under Senate amendment
Forest service	Yes	Uncontrollable	I
Foster care	Yes	Controllable	?
General revenue sharing	Yes	Uncontrollable	?
Headstart	No	Controllable	II
Housing programs	No	Controllable	II
Human development services	No	Controllable	II
Interest on debt	Yes	Uncontrollable	Exempt
IRS collections—Puerto Rico	Yes	Uncontrollable	?
Legal services	No	Controllable	II
National forest system	Yes	Uncontrollable	?
National service life insurance fund	Yes	Uncontrollable	?
National wildlife refuge	Yes	Uncontrollable	?
Presidential election campaign fund	Yes	Uncontrollable	?
Salaries of judges	Yes	Uncontrollable	?
Social services block grant	Yes	Controllable	?
Weatherization	No	Controllable	II

¹ Tier I (may be exempt)

Note.—Prepared by the staff of the Committee on Ways and Means. Designations of "category under Senate Amendment" are preliminary.

NEW POINTS OF ORDER CREATED BY THE SENATE AMENDMENTS ¹

1. Creates a point of order prohibiting the consideration or adoption of the *annual budget resolution*, or amendment thereto, or conference report thereon, setting forth a deficit for a fiscal year *which exceeds the maximum deficit level* for such fiscal year. This point of order would only apply to the fiscal year for which the budget resolution is binding. (p. 8)

2. Creates a point of order prohibiting the consideration or adoption of a *revised budget resolution*, or amendment thereto, or conference report thereon, setting forth a deficit for a fiscal year *which exceeds the maximum deficit level* for such a fiscal year. This point of order would only apply to the fiscal year for which the budget resolution is binding. (p. 10)

3. Creates a point of order prohibiting *amendments to any budget resolution*, in the House or Senate, which would increase the deficit levels above the *deficit level for any fiscal year in the reported budget resolution*. This point of order would apply to the deficit level for any fiscal year set forth in the budget resolution, not only to the fiscal year for which the budget resolution is binding. (p. 16)

4. Creates a point of order prohibiting *amendments to any reconciliation bill*, in the House or Senate, which would increase the deficit levels above the *deficit level for any fiscal year in the most recently agreed to budget resolution*, except a motion to strike a provision would always be in order. This point of order would apply to the deficit level for any fiscal year set forth in the budget resolution, not only to the fiscal year for which it is binding. (p. 17)

5. Creates a point of order prohibiting consideration of any measure, or amendment thereto, or conference report thereon, providing new budget authority, new entitlement authority, or credit authority for any fiscal year until the committee of jurisdiction which received an allocation pursuant to the budget resolution *Files its Section 302(b) allocation* of spending authority for such fiscal year. This would apply to legislation effective in any fiscal year, not only the fiscal year for which the allocations are applicable.

6. Creates a point of order, effective after adoption of a budget resolution, prohibiting consideration of any measure, or amendment thereto, or conference report, providing *new budget outlays or new budget authority* for the fiscal year *in excess of the Section 302(b) allocation* pursuant to the budget resolution for such fiscal year. This point of order would only apply to the fiscal year for which the allocations are applicable. (p. 20)

7. Creates a point of order, effective after adoption of a budget resolution, prohibiting consideration of any measure, or amend-

¹ Page references are to H.J. Res. 372, as passed by the Senate.

ment, or conference report, providing *new entitlement authority for the fiscal year in excess of the Section 302(b) allocation* pursuant to the budget resolution for such fiscal year, unless, the bill or amendment is referred to the Appropriations Committee, under the existing Budget Act, and that committee favorably reports the measure with a certification that other actions will be taken to ensure that the maximum deficit level will not be exceeded. This point of order would only apply to the fiscal year for which the allocations are applicable. (p. 21)

8. Creates a point of order, effective after adoption of the budget resolution and after enactment of any required reconciliation bill, prohibiting consideration of any *spending or revenue reduction measure*, which would *cause the maximum deficit level* for such fiscal year *or the levels of deficit* in the most recently agreed to budget resolution *to be exceeded*. This point of order appears to apply to the deficit levels for any fiscal year contained in the budget resolution but is limited to the maximum deficit level for the fiscal year for which the budget resolution is binding. (p. 22)

9. Creates a point of order prohibiting the consideration or agreement to any reconciliation measure, or amendment, or conference report, (in response to the presidential order) which would *increase the deficit* above the level contained in the *budget resolution* for such fiscal year *or the maximum deficit level* for such fiscal year. However, this point of order would not apply if negative real economic growth is projected. This point of order is only applicable to such fiscal year covered by the presidential order. (p. 37 and 38) A further provision making the point of order which generally applies to amendments to reconciliation bills applicable to this measure would ~~appear~~ to prohibit certain amendments and to allow a motion to strike, regardless of the above exception. (p. 39)

10. Creates a point of order prohibiting the consideration of any reconciliation bill, amendment, or conference report, required pursuant to the regular budget process, which would *impact on social security outlays or revenues*.

ILLUSTRATIVE LIST OF MAJOR ENTITLEMENT PROGRAMS AND INDEXED DISCRETIONARY PROGRAMS

PROGRAM	CBO ESTIMATES OF 1987 PAYMENTS ¹ (in billions)	PROVISION INDEXED	WHEN ²	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
<u>INDEXED ENTITLEMENTS</u>					
1. Social Security	\$208.7				Exempt
		a. Benefits	Annual--January	CPI	
		b. Earnings test	Annual--January	Average wages in economy	
		c. Taxable earnings	Annual--January	Average wages in economy	
		d. Benefit formula and earnings histories	Annual--January	Average wages in economy	
		e. Minimum benefit: Old rule - those eligible before 1979	Annual	CPI	
		New rule - those first eligible in 1979 through 1981	Annual--January but only at age 65 or after benefits start. Level frozen at earlier age	CPI	
		f. Special minimum benefit	Annual--January	CPI	
		g. Family maximum benefit	Annual--January	Average wages in economy	
		h. Dollar amount for a quarter of coverage	Annual--January	Average wages in economy	
		i. COLA stabilizer	Only if triggered	Lower of CPI or average wages in economy	

¹Figures represent benefit payments unless marked with (c) meaning total outlays.²Date paid.

PROGRAM	CHD ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
2. Railroad Retirement	Tier I--\$3.8				7
	Tier II--\$2.5				1
		a. Tier I portion of of annuity	Annual--January	Social security benefits	
		b. Tier II portion of annuity (post- retirement)	Annual--January	CPI	
		c. Survivor's benefits	Annual--January	Social security benefits	
		d. Spouse's maximum benefit	Annual--January	(1) Social security maximum benefits (tied to taxable wage base) (2) CPI	
		e. Family maximum benefit	Annual--January	Social security taxable earnings base	
		f. Tier I wage base	Annual--January	Social security taxable annual earnings base	
		g. Tier II wage base	Annual--January	Social security taxable annual earnings base, calculated by pre-1977 rule	
		h. Earnings test (for those under 65)	Annual--January	Social security exempt earnings limit	

PROGRAM	CBO ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
3. Supplemental Security Income (SSI)	\$9.4	a. Benefits	Annual--January	Social security benefits (CPI)	1
		b. Income ceilings	Annual--January	Social security benefits (CPI)	
4. Veterans' Compensation	\$10.6	Benefits legislatively increased annually	January	Usually veterans' pensions	2
5. Veterans' Pensions	\$4.0	Benefits: Income ceilings	Annual--January	Social security benefits	2
6. Civil Service Retirement	\$25.3 (o)	Annuities and survivor benefits:	Annual--January	CPI (within limits)	1
		a. General employees			
		b. Members of Congress			
		c. Congressional employees			
7. Workers' Compensation for Federal Employees	\$0.3 (o)	a. Benefits	Annual--April	CPI (subject to rules on minimum and maximum benefits)	1

PROGRAM	CHO ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
8. Military Retirement	\$19.2 (o)	b. Maximum benefits	Annual--October 1 Unless alternate plan with different date is submitted by President and not rejected by Congress	Top Federal GS-15 salary	1
		c. Minimum benefits	Annual--October 1 Unless alternate plan with different date is submitted by President and not rejected by Congress	Bottom GS-2 salary	
9. Food Stamps	\$11.1	a. Retired pay	Annual--January	CPI	2
		b. Survivor benefits	Annual--January	CPI	
		a. Maximum monthly benefits	Annual--October 1	Prices of food in the "thrifty food plan"	
		b. Income limits for eligibility	Annual--July 1	Federal poverty income guidelines	
		c. Standard deduction used in computing benefits and eligibility	Annual--October 1	CPI items other than food	
		d. Maximum allowable shelter and/or dependent care deductions	Annual--October 1	CPI components for shelter, fuel and utilities	

PROGRAM	CHOW ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
10. Medicare	\$85.2				
(includes premiums of \$6.9 billion)					
Part A-Hospital Insurance					
	a. Hospital payment rates	Annual--October or start of hospital fiscal year		Secretary of HHS based upon Prospective Payment Commission recommendations	2
	b. Inpatient hospital deductible (to be paid by patient for each spell of illness)	Annual--January		Cost of day of inpatient hospital services	1
	c. Daily coinsurance for inpatient hospital services:				1
	o For 61st - 90th day in each spell of illness	Annual--January		1/4 of hospital deductible	
	o For 60 lifetime reserve days	Annual--January		1/2 of hospital deductible	
	d. Daily coinsurance for extended care services (21st - 100th day in each spell of illness)	Annual--January		1/8 of hospital deductible	1
	e. Monthly premium for voluntary enrollment	Annual--January		Hospital deductible	1
Part B-Medical Insurance					
	a. Physician reimbursement	Annual--October		Economic Index	1

PROGRAM	ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
		b. Monthly premium	Annual--January	25% of program costs in calendar years 86-88. Social security COLA in years thereafter	I
11. Foreign Service Retirement System	\$0.3 (o)	Annuities, disability and survivor benefits	Annual--January	CPI	I
12. PHS Retirement	\$0.1 (o)	Annuities, disability and survivor benefits	Annual--January	CPI	I
13. Coast Guard Retirement	\$0.4 (o)	Annuities, disability and survivor benefits	Annual--January	CPI	I
14. Black Lung	\$1.1 (o)	Benefits	Annual--November	Federal GS-2 salary schedule	I
15. Coal Miners Disability & Survivors Benefits	\$1.1 (o)	Benefits	Annual--November 1 unless alternate plan with different date is submitted by President and not rejected by Congress	Federal GS-2 salary schedule	I
16. Unemployment Compensation (see also non-indexed entitlements)	\$15.7*	Extension of benefit duration	The third week after the week in which the on-off trigger conditions are met	Unadjusted unemployment rate of the State for the most recent 13 weeks	?

*Total unemployment compensation outlays, extended benefits are about \$0.1 billion of this.

PROGRAM	CHD ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
17. Medicaid	\$24.7	Eligibility of aged, blind, or disabled persons	Annual--January	SSI income limits (thus, indirectly, to CPI) (State option)	?
18. Child Nutrition	\$4.2	<u>School Lunch and Breakfast Programs</u> a. Reimbursement rates for free, reduced-price and "paid" meals b. Income ceilings for eligibility <u>Child Care Food Program</u> a. Reimbursement rates b. Income ceilings for eligibility <u>Summer Food Service for Children</u> Reimbursement rates	Annual--July 1 Annual--July 1 Annual--July 1 Annual--July 1 Annual--July 1 Annual--July 1	CPI series for food away from home Federal poverty income guidelines CPI series for food away from home Federal poverty income guidelines CPI series for food away from home	?

PROGRAM	CBO ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
NON-INDEXED ENTITLEMENTS					
1. Aid to Families with Dependent Children (AFDC)	\$8.5	NA	NA	NA	?
2. Title XX Social Services Block Grant	\$2.7	NA	NA	NA	
3. Foster Care/Adoption Assistance	\$0.6	NA	NA	NA	
4. Earned Income Tax Credit	\$1.3	NA	NA	NA	?
5. Guaranteed Student Loan Program	\$2.8	NA	NA	NA	II
6. Pell Grants, Supplementary Educational Opportunity Grants, National Direct Student Loans, and College Work Study	\$4.9 (o)	Family size offsets (living allowance) used in determining student's need and, thus, his benefit	Annual	CPI	II
7. Child Support Enforcement	\$0.7 (o)	NA	NA	NA	?

PROGRAM	ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
8. General Revenue Sharing	\$1.2	NA	NA	NA	7
9. Commodity Credit Corporation	\$15.3 (o)	NA	NA	NA	11
10. Unemploy- ment Compensation	\$15.7	NA	NA	NA	2

PROGRAM	ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
<u>INDEXED DISCRETIONARY PROGRAMS</u>					
1. Job Training Partnership Act	\$3.9 (o)	Title II - A Training for Economically Disadvantaged: Income limits for eligibility	Annual	70% of HLS lower living standard unless OMB poverty threshold for unit is higher	II
			Annual	70% of HLS lower living standard unless OMB poverty threshold for unit is higher	
			Annual	70% of HLS lower living standard unless OMB poverty threshold for unit is higher	
2. Community Health Centers	\$0.4 (o)	Title IV-B Job Corps: Income limits for eligibility	Annual	Federal poverty income guidelines	II
3. Migrant Health Centers	\$0.1 (o)		Annual	Federal poverty income guidelines	II
4. Housing Programs	\$11.3 contracts \$1.6, public housing operations				

PROGRAM	(40) ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
- Section 8 Lower Income Housing Assistance		a. Contract rent (maximum rents)	Annual (or more frequently)	Area fair market rent, which is indexed to rent and utility components of CPI in selected areas	11
		b. Eligibility (income ceiling)	Annual	Area median income, adjusted for family size	
- Low-Rent Public Housing		Eligibility (income ceiling)	Irregular	Area median income, adjusted for family size	11
- Sec. 236 Interest Reduction Payments		Eligibility (income ceiling)	Annual	Area median income, adjusted for family size	11
- Sec. 235 Homeownership Assistance for Low-Income Families		Eligibility (income ceiling)	Annual	Area median income, adjusted for family size	11
- Sec. 101 Rent Supple- ments		Eligibility (income ceiling)	Annual	Area median income, adjusted for family size	11
5. Federal Housing Admin- istration (FHA) Sec. 203 (b) Mortgage Insurance	-\$1.215 (receipt)	Maximum mortgage loan	Discretion of Secretary of HUD	Area median income, adjusted for family size	11
				Area median sales price of a single- family home, sub- ject to a limit on percentage rise in maximum loan	11

PROGRAM	CHAO ESTIMATES OF 1987 PAYMENTS (in billions)	PROVISION INDEXED	WHEN	TO WHAT	CATEGORY UNDER SENATE AMENDMENT
6. Weather- ization Aid	\$0.2 (o)	Income limits for eligibility	Annual	125% of Federal poverty income guidelines	II
7. Low- Income Energy Assistance	\$2.1 (o)	Income limits for eligibility	Annual	150% of Federal poverty income guidelines, or 60 % of State median income, or CPI (for SSI or veteran's pension recipients)	II
8. Legal Services	\$0.3 (o)	Income limits for eligibility	Annual	125% of OMB poverty guidelines	II
9. Community Services Block Grant (CSBG)	\$0.4 (o)	Income limits for eligibility of non-recipients of AFDC or SSI	Annual	Federal poverty income guidelines	II
10. Headstart	\$1.1 (o)	Eligibility (income ceiling)	Annual	Federal poverty income guidelines	II

NOTE: Prepared by the staff of the Committee on Ways and Means. This is not intended to be an exhaustive list.